

105TH CONGRESS  
1ST SESSION

# H. R. 2587

To require the Secretary of the Treasury to cause to be conducted an independent audit of the Internal Revenue Service.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 30, 1997

Mrs. MYRICK introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To require the Secretary of the Treasury to cause to be conducted an independent audit of the Internal Revenue Service.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Audit of the IRS Act  
5       of 1997”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds that the General Accounting Of-  
8       fice cannot attest to the reliability of the Internal Revenue  
9       Service’s financial statements because—

1           (1) the amount of total revenue and tax refunds  
2           could not be verified or reconciled to accounting  
3           records maintained for individual taxpayers in the  
4           aggregate;

5           (2) the amounts reported for various types of  
6           taxes collected, such as social security, income, and  
7           excise taxes, could not be substantiated;

8           (3) the reliability of reported estimates for valid  
9           accounts receivable and for collectible accounts re-  
10          ceivable could not be determined;

11          (4) a significant portion of the Internal Reve-  
12          nue Service's reported nonpayroll operating expenses  
13          could not be verified; and

14          (5) amounts reported as appropriations avail-  
15          able for operations could not be reconciled fully with  
16          the Treasury Department's central accounting  
17          records, and hundreds of millions of dollars in dif-  
18          ferences were identified.

19 **SEC. 3. INDEPENDENT AUDIT OF THE INTERNAL REVENUE**  
20 **SERVICE.**

21          (a) IN GENERAL.—The Secretary of the Treasury  
22          shall cause to be conducted an audit of the Internal Reve-  
23          nue Service. Such audit shall be conducted by an inde-  
24          pendent external auditor selected by the Secretary in ac-  
25          cordance with subsection (b).

1 (b) SELECTION OF INDEPENDENT EXTERNAL AUDI-  
2 TOR.—The independent external auditor shall be selected  
3 from among the large, national accounting firms deter-  
4 mined by the Secretary to be capable of providing the  
5 audit required by this section pursuant to a process by  
6 which the Secretary invites such firms to submit a pro-  
7 posal for such audit, together with a bid.

8 (c) INITIATION OF AUDIT.—Not later than 60 days  
9 after the date of the enactment of this Act, the independ-  
10 ent external auditor selected to conduct the audit required  
11 by this section shall begin such audit.

12 (d) AUDITING PROCEDURES.—

13 (1) IN GENERAL.—The audit under subsection  
14 (a) shall be conducted in accordance with generally  
15 accepted auditing principles. The independent exter-  
16 nal auditor shall consider the deficiencies described  
17 in section 2 as well as effectiveness of accounting or-  
18 ganizations and systems, internal audit and control,  
19 and related administrative practices of the Internal  
20 Revenue Service.

21 (2) ACCESS TO INFORMATION.—

22 (A) INFORMATION GIVEN BY THE INTER-  
23 NAL REVENUE SERVICE.—The Internal Revenue  
24 Service shall give the independent external  
25 auditor the information such auditor requires

1           about the duties, powers, activities, organiza-  
2           tion, and financial transactions of the Internal  
3           Revenue Service. The independent external  
4           auditor may inspect an agency record to obtain  
5           such information.

6                   (B) BOOKS, PAPERS, PERSONNEL, ETC.—

7           The independent external auditor shall have  
8           such access to the personnel and to the books,  
9           papers, and other information of the Internal  
10          Revenue Service as such auditor considers nec-  
11          essary or appropriate to conduct the audit re-  
12          quired by this section.

13          (e) PROTECTION OF INFORMATION.—

14               (1) LEVEL OF PROTECTION.—The independent  
15          external auditor shall maintain the same level of  
16          confidentiality for a record made available under this  
17          section as is required of the Director of the Internal  
18          Revenue Service. Officers and employees of the inde-  
19          pendent external auditor shall be subject to the same  
20          statutory penalties for unauthorized disclosure or  
21          use of any such record as officers or employees of  
22          the Internal Revenue Service.

23               (2) PERSONNEL PRIVACY.—The independent  
24          external auditor shall keep information described in  
25          section 552(b)(6) of title 5, United States Code, that

1       such auditor obtains in a way that prevents unwar-  
2       ranted invasions of personal privacy.

3           (3) PROVIDING INFORMATION TO CONGRESS.—

4       This section does not authorize information to be  
5       withheld from Congress.

6       (f) REPORT OF RESULTS OF AUDIT.—Not later than  
7       one year after the initiation of the audit required by this  
8       section, the independent external auditor shall submit a  
9       report concerning the results of the audit conducted under  
10      this section to the Committee on Ways and Means of the  
11      House of Representatives and the Committee on Finance  
12      of the Senate.

13      (g) FUNDING.—

14           (1) IN GENERAL.—Except as provided by para-  
15      graph (2), amounts appropriated to the Internal  
16      Revenue Service shall be available to carry out this  
17      section.

18           (2) EXCEPTIONS.—Amounts made available to  
19      the Internal Revenue Service for the following shall  
20      not be available to carry out this section:

21           (A) To maintain a training program to en-  
22      sure that Internal Revenue Service employees  
23      are trained in taxpayers' rights, in dealing cour-  
24      teously with the taxpayers, and in cross-cultural  
25      relations.

- 1 (B) The Tax Counseling for the Elderly
- 2 Program.

